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ABSTRACT

This paper focuses on the identification and implementation of an adequate and appropriate funding mechanism or mechanisms for the funding of rural library services in Idaho. It is noted that the data for the report were taken primarily from the U.S. Bureau of the Census, with additional data from a 1990 survey of state library officials. The funding problem is examined in the context of local government revenues, noting that the property tax is the source of most of the public library budget; property tax limitations that were enacted into state law in 1978 are inspected; Idaho's reliance upon special districts to provide a significant portion of its library service is noted; public library funding by city governments, state aid, and alternative revenue sources are also studied. Five policy recommendations conclude the report: (1) supporters of public libraries in Idaho should continue to emphasize the link between economic development and libraries; (2) local option taxes and/or fees should be authorized to give library and other local officials the right to determine the appropriate revenue mix for their area; (3) the same majority approval requirement--a simple majority--should be required for library override elections as for school district elections; (4) additional revenues should be allocated from the state general fund to purchase the new technologies that may be required to extend services to remote and unserved areas; and (5) the current property tax limitation law should be repealed. Ways in which other states have addressed similar problems are cited and their policies are compared with those of Idaho throughout the paper. Nine tables display data on various aspects of public library and municipal expenditures in Idaho and other western states. (BBM)

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FINANCING RURAL LIBRARY SERVICES: A COMPARATIVE ANALYSIS

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FINANCING
RURAL LIBRARY SERVICES:

A COMPARATIVE ANALYSIS

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FINANCING RURAL LIBRARY SERVICES: A COMPARATIVE ANALYSIS

There is a growing awareness of the need to improve and extend rural library services in Idaho and throughout the nation. Idaho State Senator Jerry Thorne and Representative Janet Hay, Co-Chairs of the Legislature's Education Committees, have called for a study of library services and funding problems in Idaho. Only recently have libraries been fully appreciated in the vital role they play in rural economic development and in providing a yardstick to measure a community's quality of life.

The concern for information access and service to rural communities has been studied and analyzed in many states. Idaho is among the top states in the percentage of its people who are "unserved" by any library service. According to a 1984 national survey of state librarians, 22.8 percent of Idaho's residents are not served by any library service. There were 10 other states that reported having 10 percent or more of their people who are not served. Only New Mexico and South Dakota had more unserved people than Idaho. A more recent report, the Rural Profile of Idaho (1990), notes that almost 32 percent of Idaho's population has no library service.

Idaho is largely rural, particularly by various national standards. In a recent study, Idaho was designated as being the most rural state in the United States. Accordingly, many of Idaho's libraries either include "rural" residents within their jurisdictions or provide,extraterritorial services for such rural residents. But even with these rural dimensions to its service delivery, the state of Idaho has obviously not solved its very serious information gap.

This paper is based upon an ongoing research effort designed to focus on such issues as identifying appropriate alternative local revenue sources to support library services, improving the coordination and delivery of library services, and extending library access to unserved areas. Some of the issues initially identified for this project, which is funded by a rural development research grant from the Idaho State Board of Education, have also been addressed by the Idaho Library Law Revision Task Force. Their efforts in drafting and supporting House Bill 494, which is now law, have gone a long way toward dealing with the service delivery issues relating to the coordination and consolidation of services. The final report from this State Board funded project will deal with these issues in more detail. This paper, on the other hand,

concentrates on the most current and pressing issue that is at the heart of the concern that called for the study and is on the agenda of many of the friends of public libraries throughout the state of Idaho - identifying and implementing an adequate and appropriate funding mechanism or mechanisms for rural library services. The data for this report was taken primarily from financial information from the U.S. Bureau of the Census, particularly from the Census of Governments publications and other special reports on local government finance.

In addition, some of the finance material in this paper was taken from a survey conducted in the Spring of 1990 with officials of the state library systems throughout the country. Twenty-eight of the states fully responded to the survey. Included in the survey were such questions as: (1) what types of revenue sources are used in your state to fund rural library services; (2) what non-property tax solutions have been developed in your state that has significantly lessened your dependence upon the property tax; (3) what is the relationship between local libraries and the state library; (4) what types of cooperative agreements are there among libraries in your state; (5) what types of services are provided in "rural" areas; (6) what efforts are being made to link library services with economic development; and (7) what new communication technologies are utilized to improve the delivery of rural library services. The references to other state systems are primarily based upon comments by our survey respondents.

One significant aspect of the project, but not included in this paper, was a survey conducted of public libraries in the state of Idaho which focused on the following: revenue sources, role and mission of the library, socio-economic characteristics of the service area, the number of people served, the library's planning process, guidelines for serving outside the library's jurisdictional limits, participation in resource sharing, a marketing plan based upon community needs assessment, organization of networks of information providers, innovative services to rural areas, "free" service issues, and services to special populations. Though an analysis of these survey results are not a part of this paper, they will be an important element of the project's final report.

In examining the funding problem, it is important to note that the financing of local libraries is similar to other types of local government finance. In Idaho and in many other parts of the country, there are three major categories of revenue sources for local governments: (1) property taxes; (2) intergovernmental revenues - state and federal assistance; and (3) fees, service charges, and miscellaneous sources.

For most local taxing districts, each one of these revenue categories is significant. In many jurisdictions, particularly in library districts, however, the property tax is often the major

source of local revenue. Typically, local revenues comprise the bulk of local library budgets with varying degrees of dependence on state assistance and other miscellaneous moneys.

Because of the importance of the property tax to local library services, it is necessary to review the recent history of the "one percent" initiative in Idaho and the series of law passed in the wake of the initiative that have significantly limited the local revenue raising ability for libraries and other local units of government. An understanding of this history will help explain Idaho's ranking among the western states in library and other forms of local funding.

Property Tax Limitations. 1978 was a watershed year in the history of local government finances - Idaho's voters approved the so-called "one percent" initiative. The intent of the initiative was to limit, if not reduce, property taxes. It was a virtual carbon copy of California's famous Proposition 13, with one important and fundamental difference - Idaho's initiative was statutory, whereas, California's was a constitutional amendment. Because the "one percent" was perceived by a majority of the state legislators as not fitting within Idaho's constitutional framework, the 1979 Legislature in effect, set aside most of the initiative provisions. Instead Idaho lawmakers over the following years passed a series of bills intended to limit property tax increases in local government budgets. The Section of the Idaho Code most affected by these changes has been Section 63-2220. It is this Section that embodies most of the elements of Idaho's "property tax limitation law," not Section 63-923, the "one percent" initiative which is rarely referenced and largely ignored.

The two current types of property tax limitations affecting libraries and other local taxing districts are: (1) 5 percent budget limitation and (2) 5 percent levy limitation. Since 1981, local taxing districts have been authorized to increase the "operating" portion of their property tax budgets by up to 5 percent annually.

The "operating budget", which is subject to the limitation, funds most of the local library expenditures. However, funds which are not part of the "operating budget" are exempt from the "property tax limitation law." For libraries, these funds could include overrides, court ordered judgments, tort liability, bond redemption, and warrant redemption. The rationale for exempting these levies from the limitation is that there are certain "fixed costs" which local governments incur as the result of such expenses beyond their control as, liability insurance premiums, court orders, vote of the people (overrides), etc.

In 1986, the Idaho Legislature removed the "anti-growth" bias from the "property tax limitation law" by giving local governments the authority to fully receive the revenues by taxing new growth

and also to increase "operating budget" levies by up to 5 percent over the previous years' levies. This limitation or option is known as the "growth provision" which may be used by taxing districts who experience growth in their tax bases due to new construction, reappraisal, or annexations. To date, not many local governments have been able to take advantage of this increased levying authority, particularly those in the rural areas of the state. (For more information concerning the law and the levying or certification options, see "The Proposed Valbois Resort: Projected Revenue Impacts," Dr. James B. Weatherby, Weatherby & Associates, Inc., in the Supplement to the Valbois Draft Environmental Impact Statement, U. S. Forest Service, June, 1989.)

Property Tax Revolt: 10 Year Comparisons. The negative impacts of the property tax limitation laws passed in the wake of the "one percent" initiative have been blamed for the dilution and/or reduction of local services in Idaho. Similar measures in other states that were affected by the "property tax revolt" of the late 1970's and early 1980's have also wreaked havoc with the maintenance and/or extension of local services. During the past decade, libraries in certain western states that have been affected by the "property tax revolt" have suffered greatly, particularly in those areas of major population growth and inflation. An official with the California State Library wrote in response to our survey that "our Proposition 13 cap on local taxes has led to a serious decline in public services in many areas..." This comment is representative of comments from other survey respondents.

The tables on the following pages illustrate the property tax revolt's impact upon local revenue and expenditure patterns among the western states. The western states most affected by the "revolt" have been the states of California, Nevada, and Idaho. Each approved and implemented a major property tax limitation measure in the late 70,s and early 80's. As indicated in the tables, most of the data have been gathered from the US Census Bureau's, Census of Governments publications. Depending upon available data, ten or twelve year comparisons are utilized to indicate the impact of the limitations in these states and how they compare with other states in the West that did not experience such major limitations. Tables 1 and 2 indicate the gross expenditure numbers for that period. These two tables do not tell as much about the relative impacts upon California and Nevada's library expenditures as they do on Idaho. Note in comparing Tables 1 and 2 that in a ten year period, Idaho drops from 7th to 10th, next to last, among the 11 western states in the total amount expenditures for local library services.

Tables 3 and 4 show that in FY 1976-77, prior to the "revolt" Nevada, California, and Idaho were ranked first, second, and fourth respectively in per capita expenditures for local library services. However, in 1986-87, each of these state's ranking dropped substantially. Nevada slipped from first to fourth and California

from second to fifth. Clearly, the most notable was Idaho's slide from fourth in FY 77 to 10th FY 87. Again, the impacts of the property tax limitation measures have to be considered as major factors in contributing to this decline. Idaho's drop was noticeably greater because, unlike California and Nevada, major increases in state aid were not made immediately in order to soften the blow of the property tax limitation measures.

The provision of library services in Idaho, as in the rest of the nation, rest primarily upon a variety of local governments. Library services are delivered through a variety of mechanisms. Some are multi-jurisdictional, others are operated by general purpose governments (city or county), have a close relationship with such governments, or operate independently as a special purpose district.

Idaho's reliance upon special districts to provide a significant portion of its library service is rather distinctive in the United States. Idaho ranks 7th nationally in the number of its library districts (47 out of 830). Out of the 11 western states, Idaho has 47 of the total special districts in the West. Only 3 of the other western states have even reported having library districts as of 1986. They were: California - 36; Nevada - 4; and Washington - 20. Table 5 gives a breakout of the kind of percentage contribution each type of local government makes to library services. Reliance upon municipal funds is highest in Arizona and New Mexico. Idaho libraries with 65 percent support is tied with Colorado. On the other end of the spectrum, Nevada has only limited municipal support (6 percent) and Wyoming has no municipal participation. County funding is virtually the only revenue source in Wyoming. Library districts are particularly significant in Nevada (63.3%), Washington (56.6%), and in Idaho (34.6%). A cursory reading of this data does not indicate any significant correlation between types of service delivery structures and the percent of unserved. But the possibility of that some relationship exists is worthy of further consideration.

Since city budgets are a major factor in funding local library services in Idaho, it is interesting to analyze the relative percentage increase over recent years of major municipal functions: highways, police, fire, and libraries. Tables 6 and 7 show that, except for Montana, Idaho municipal financing increases lagged far behind the rest of the western states whose cities have library responsibilities. Nevada and Wyoming are not included because library services are not significantly funded by municipal contributions. The most significant statistic on the entire table is that the lowest percentage increase for all of these functions was for Idaho libraries. Table 8 makes that point even more dramatically. Though it must also be noted that expenditure level increases for all functions in Idaho significantly lag behind neighboring states, in most cases by 100 percent or more! Table 9 shows what the local library expenditure numbers mean in constant

dollars in comparing 1977 and 1987.

State Aid. Although it is not a major source nationally, state assistance apparently is a much more significant portion of library budgets in other states than it is in Idaho. According to the American Library Association, (December, 1986) Idaho ranked 45 in state aid for library services.

Some argue that it should be a matter of state policy that library services be made available to every citizen and that the extension of services to remote, unserved areas should be funded out of broad based taxes, or,what is typically meant, out of the state's general fund. Such a financing scheme addresses the differences among communities with respect to tax base and other resources and should make services universal throughout the state.

However, such an ideal system is "not universally" available throughout the country. The following is a discussion of the varying patterns of state assistance within the nation.

In Kansas, grants-in-aid to public libraries and library systems account for approximately 5 percent of all library funding. The funding source is primarily the state income tax. Revenues from the state lottery, "Economic Development Improvement Fund," may be used to fund library services which support economic development.

Several libraries in Maine have rather large endowments which generate considerable support, but the property tax is the primary source. There is some state support - 23 cents per capita, plus a very modest stipend for the purchase of books.

California has direct state aid to libraries program that can provide a maximum of 10 percent of the local library budget. It has high maintenance of effort provisions that some libraries cannot meet, and it has never been funded at more than 50 percent of the authorization.

In New Mexico, state funds are used to provide "books-by-mail" services statewide. In Oregon, state library development "per capita" grants from the state general fund are allocated to libraries on a 16 cent per capita basis.

Tennessee has apparently implemented one of their strategic planning goals which calls for the funding of "local governments financially unable to support their public libraries at levels specified in the Minimum Standards for Tennessee Public Libraries who will be eligible for certain financial assistance from the Tennessee State Library and Archives in order to bring library services and resources up to minimal standards."

In Nebraska, state aid to public libraries is viewed as a means of supplementing local revenues. The revenues from state income and sales taxes are a means to equalize the income levels for public libraries. Nebraska adopted a strategic plan in 1989 which included the following goals and objectives:

> Goal: develop improved local funding for public library services in all areas of the state
>
> The objectives to support this goal include support for projects to provide accredited service through the expansion or merger of existing systems or the creation of new libraries; assist libraries in the improvement of their funding and services through the accreditation program; involve local libraries in the public library planning process; and undertake review of statutes that might limit service provision and funding alternatives.
>
> Goal: obtain additional state and federal funding for library commission programs.
>
> The objective is to provide increased state and federal funds for accredited public libraries and multitype library cooperation.

Alternative Revenue Sources. Given their limited tax bases, libraries are in constant need of alternative revenue sources. Library services are somewhat unique in this area, however. Their funding sources are necessarily limited because of the nature of the services they provide. As in Idaho and some other states, state law and/or constitution requires that services be provided on a "free" basis. Such provisions essentially precludes libraries from following the general trend in local government finance today. That trend is toward the creation and imposition of non-tax revenues - user fees, service charges, etc. Unfortunately, for libraries, most of these "new" revenue sources are not appropriate or at least have not been legally authorized by state law or constitution. The following discussion highlights states who have had some experience with alternative revenue sources for libraries.

In Wyoming, county local option sales tax authority has been utilized in one county which routinely earmarks funds of approximately $100,000 per year for the library system. This amount is 10 percent of the library's total budget. In Wyoming, counties virtually have total responsibility for library services.

Public libraries in Ohio have statutory authority to levy additional operating tax levies through their taxing authority (ORC 5705.23). Thirty-nine out of 250 public library systems have passed an operating levy and are receiving income from this source

in addition to moneys from the state income tax revenue.

During the 1980's Indiana struggled with the problem of dependence on property taxes. Two versions of an income tax have been passed which counties may choose to adopt. The first is called county adjusted gross income tax (CAGIT). CAGIT revenue is distributed to local taxing units such as libraries mainly as replacement dollars for property tax revenue. The other tax, county option income tax (COIT), raises additional funds which can be used to increase local budgets. Property taxes now make up 71 percent of local operating income and county income taxes, 8.6 percent.

Most county libraries in Florida use a portion of the local sales tax to support library services as well growth impact fees. In this high growth state new residents are assessed an impact fee in some localities in order to pay for connecting them to local services (i.e., water, sewer, parks and recreation, and libraries).

In Oklahoma, library support is part of municipal budgets, much of which is supported by local option sales taxes, supplemented by fees and operation of utilities in some cities.

Given the variety of state sources available to libraries in other states, policymakers in Idaho would be well advised to investigate further the potential uses of state aid for rural libraries. They also may want to compare proposals and strategies with public library groups in other states that have the same needs as Idaho.

Policy Recommendations

1. Economic development is a major goal of policymakers at both the state and local level of governments. Supporters of public libraries in Idaho should continue to emphasize the link between economic development and libraries. The library community in Idaho should look to other states who have or are working on forging these linkages. For example, in Ohio this fall there will be a statewide conference whose themes will be combining community and economic development with library and information services. The intent is to provide a means for these two community elements to share their thoughts and concerns as a way of determining how one impacts on the other and what steps need to be taken to aid in increasing the effectiveness of both. In 1988, the Indiana State Library Advisory Council formed an ad hoc committee called Libraries and Business Development Committee to promote relationships between library service and economic development. In Oklahoma, the state has offered economic development grants to local libraries for the past several years. In Maryland, the role of the library in economic development is the primary theme of the Governor's Conference on Libraries this year. A follow-up

Conference is planned in 1992. At this Conference, economists, business leaders, information specialists, and librarians will attempt to develop a framework for a State Policy on Information and a clear identification of the information needs of business for future economic development of the state and a plan for libraries to meet those needs. In Oregon, the Economic Information Network established by the state library focuses attention on the ability of public libraries to respond to economic development questions. The network promoted the idea of answering economic development questions through the shared resources of many library collections and the expertise of persons from all over the state.

2. Local option taxes and/or fees should be authorized to give library and other local officials and their constituents the right to determine the appropriate revenue mix for their area. In some areas of the state, the property tax has reached its political and legal limits and is particularly not appropriate in rural areas with large tracts of land. The household fee implemented in Idaho's Kootenai County and upheld recently by the State Supreme Court should be investigated as a potential new source of revenue for local libraries. Specific statutory authority apparently will probably be required for this fee or any other comparable fees.

3. The same majority approval requirement, simple majority, should be required of library override elections as it is in school district levy override elections. Both are a part of the educational enterprise and should be treated equally in their ability to budget and certify property tax dollars. Currently, public schools have a somewhat unfair advantage over all other local taxing districts in the state of Idaho in that they only need a simple majority of those voting in order to approve an override. All other taxing districts which also share in this same revenue source are required to amass a hefty two-thirds majority approval before they are granted relief from the property tax limitation law.

4. In order to provide basic service levels throughout the state of Idaho and to fund the purchase of the new technologies that may be required to extend services to remote and unserved areas, additional revenues should be allocated from the state general fund to meet this most pressing statewide need. Or, alternatively, the State of Idaho could take the lead from other states and allocate a portion of lottery proceeds to help fund this significant extension and improvement of rural services.

5. The current property tax limitation law should be repealed. Local control should be returned to locally elected officials. There should be no doubt why Idaho's cities and counties were ranked last in local discretionary authority among all of the cities and counties in the country by the U.S. Advisory Commission on Intergovernmental Relations. The presence of this major limit on their local revenue raising ability clearly was a

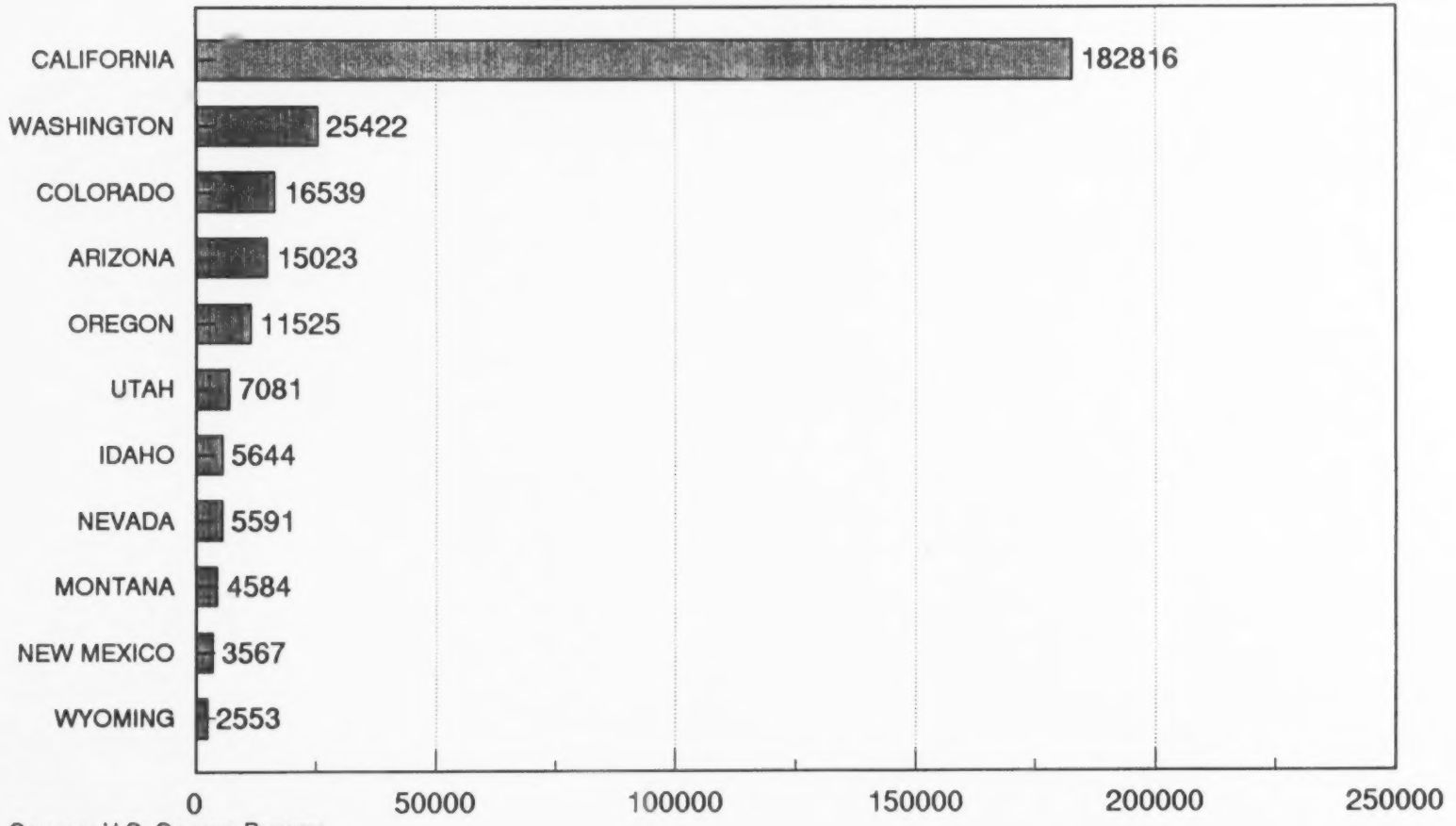
major factor in their low rating and it has been a factor in showing such low levels of revenue and expenditure patterns among local libraries in Idaho.

TABLES

TABLE 1

LOCAL LIBRARY EXPENDITURES: 1976-77

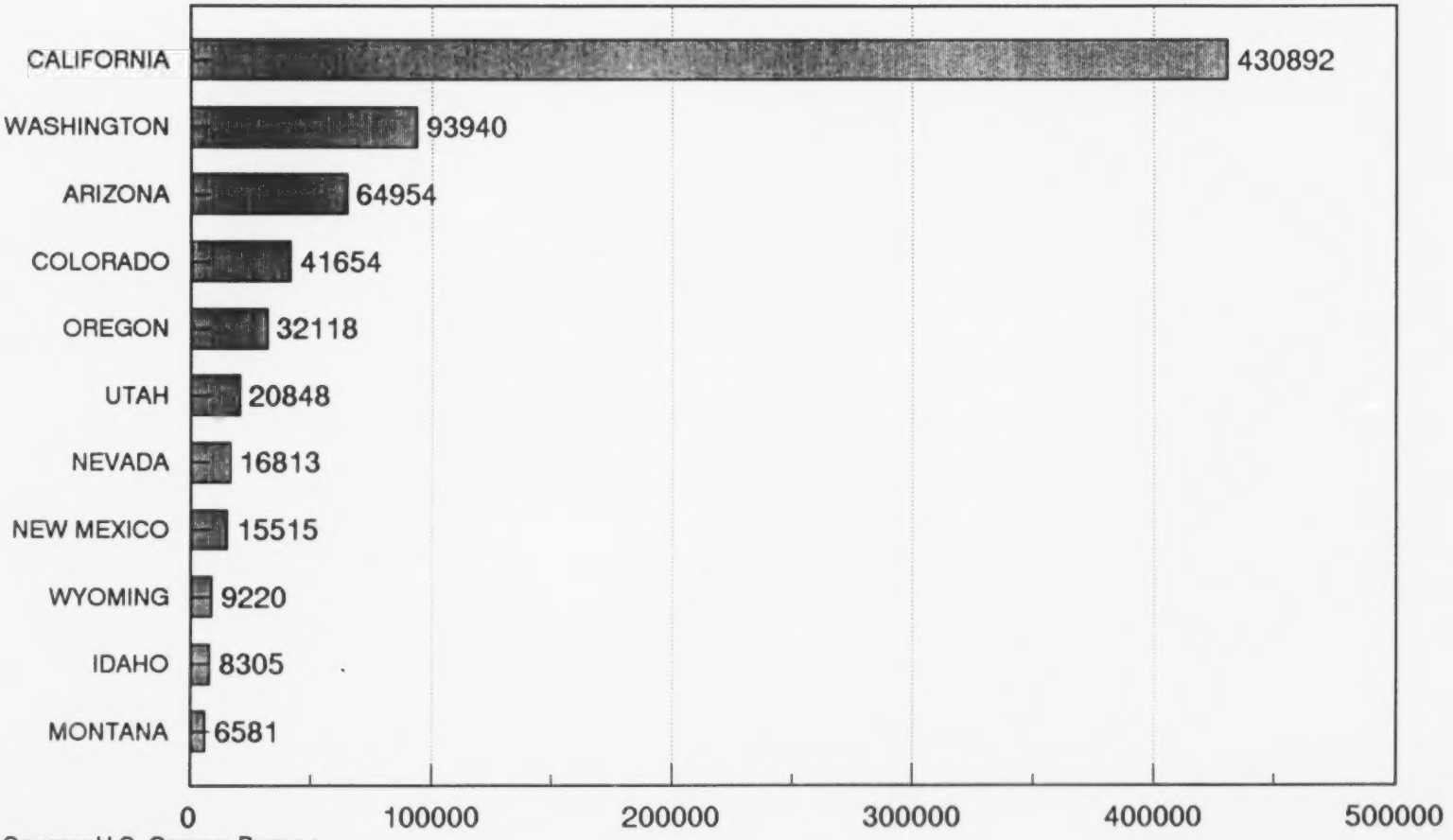
Thousands of dollars



Source: U.S. Census Bureau

TABLE 2
LOCAL LIBRARY EXPENDITURES: 1986-87

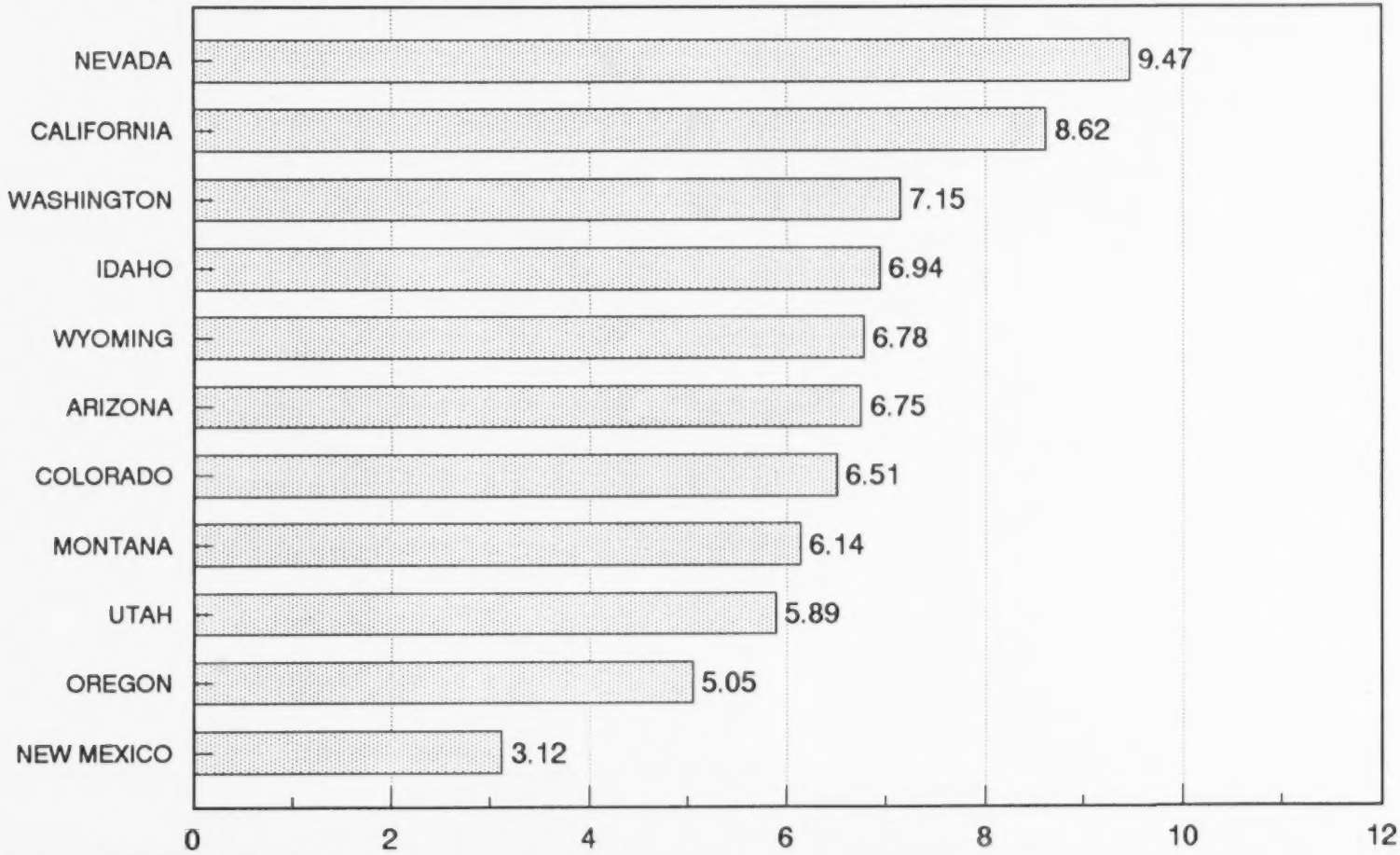
Thousands of dollars



Source: U.S. Census Bureau

TABLE 3

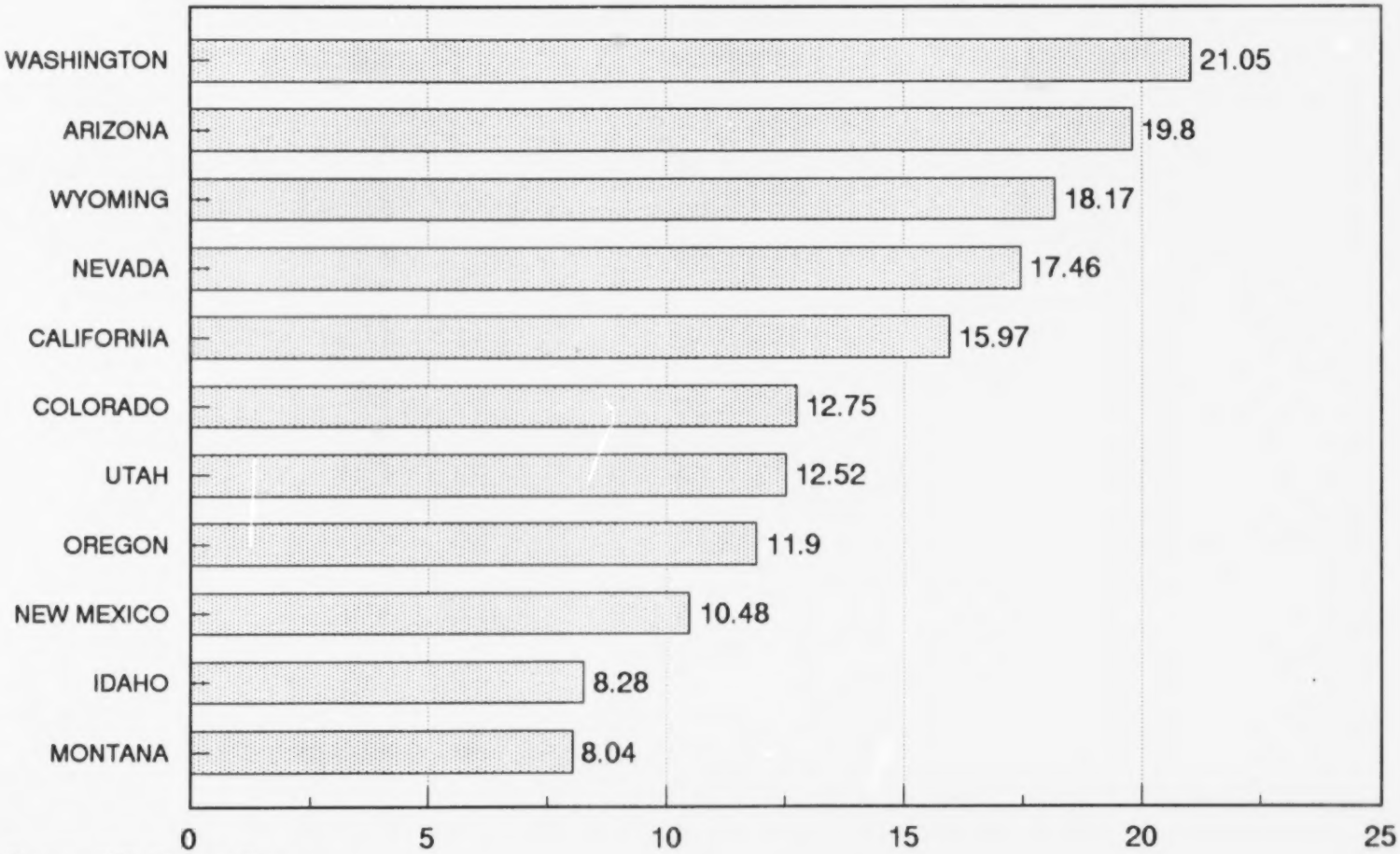
PER CAPITA LIBRARY EXPENDITURES: 1976-77



Source: U.S. Census Bureau

TABLE 4

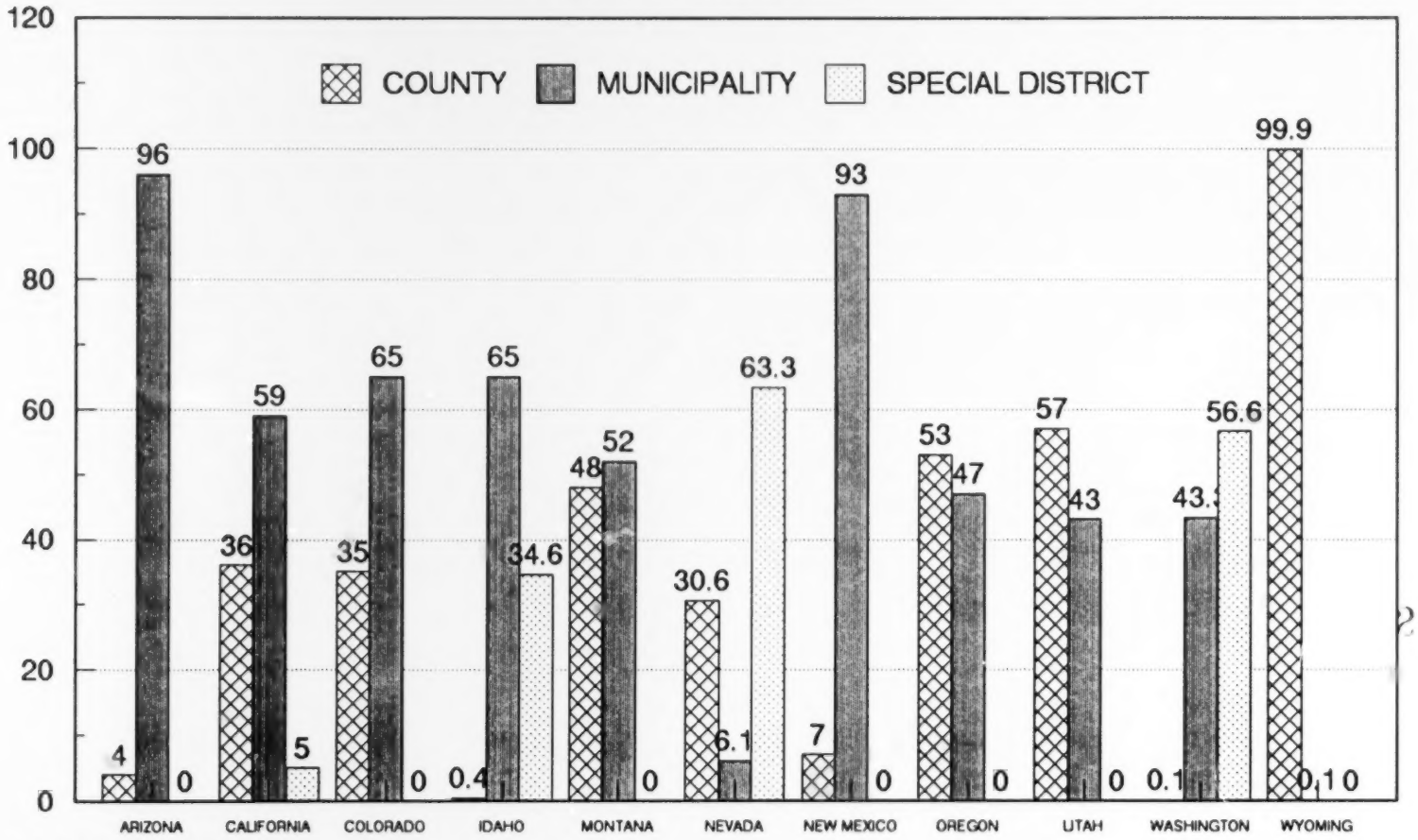
PER CAPITA LIBRARY EXPENDITURES: 1986-87



Source: U.S. Census Bureau

TABLE 5

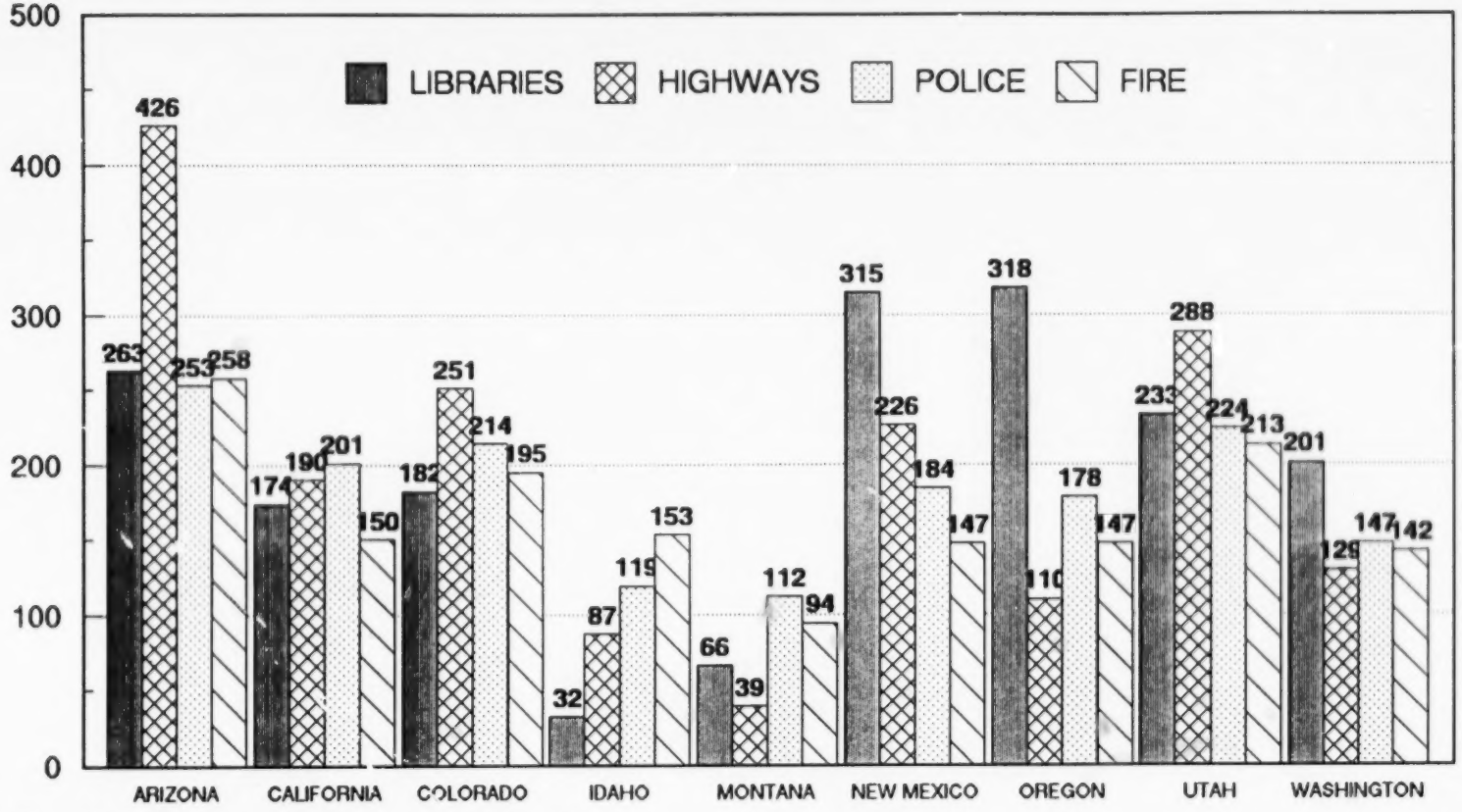
LIBRARY FINANCES: PERCENTAGE CONTRIBUTION BY TYPE OF GOVERNMENT



U.S. Census Bureau

TABLE 6

PERCENT CHANGE IN MUNICIPAL EXPENDITURES FROM 1977 TO 1988

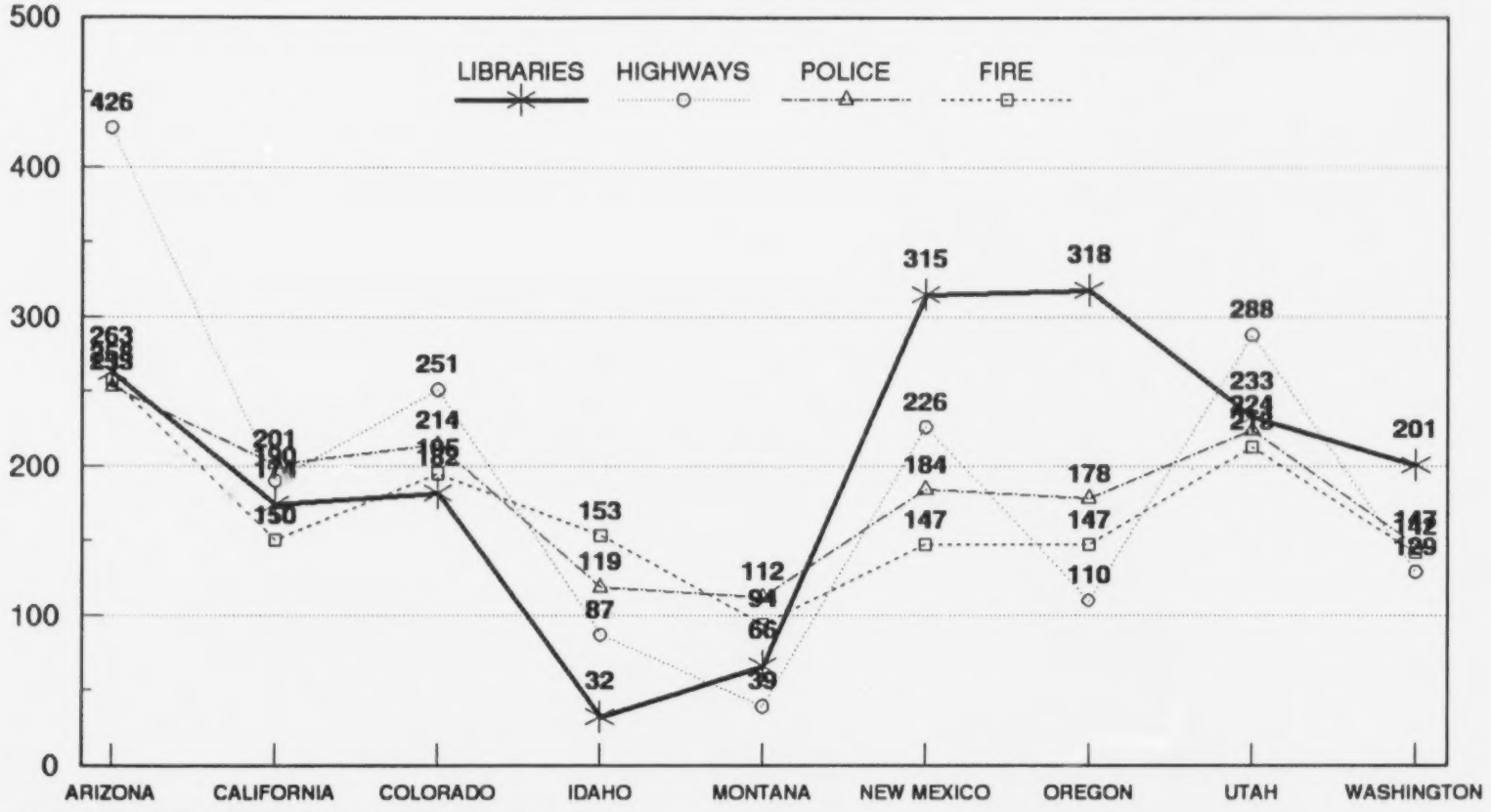


*Nevada & Wyoming excluded due to insignificant municipal contributions

Source: U.S. Census Bureau

TABLE 7

PERCENT CHANGE IN MUNICIPAL EXPENDITURES FROM 1977 TO 1988

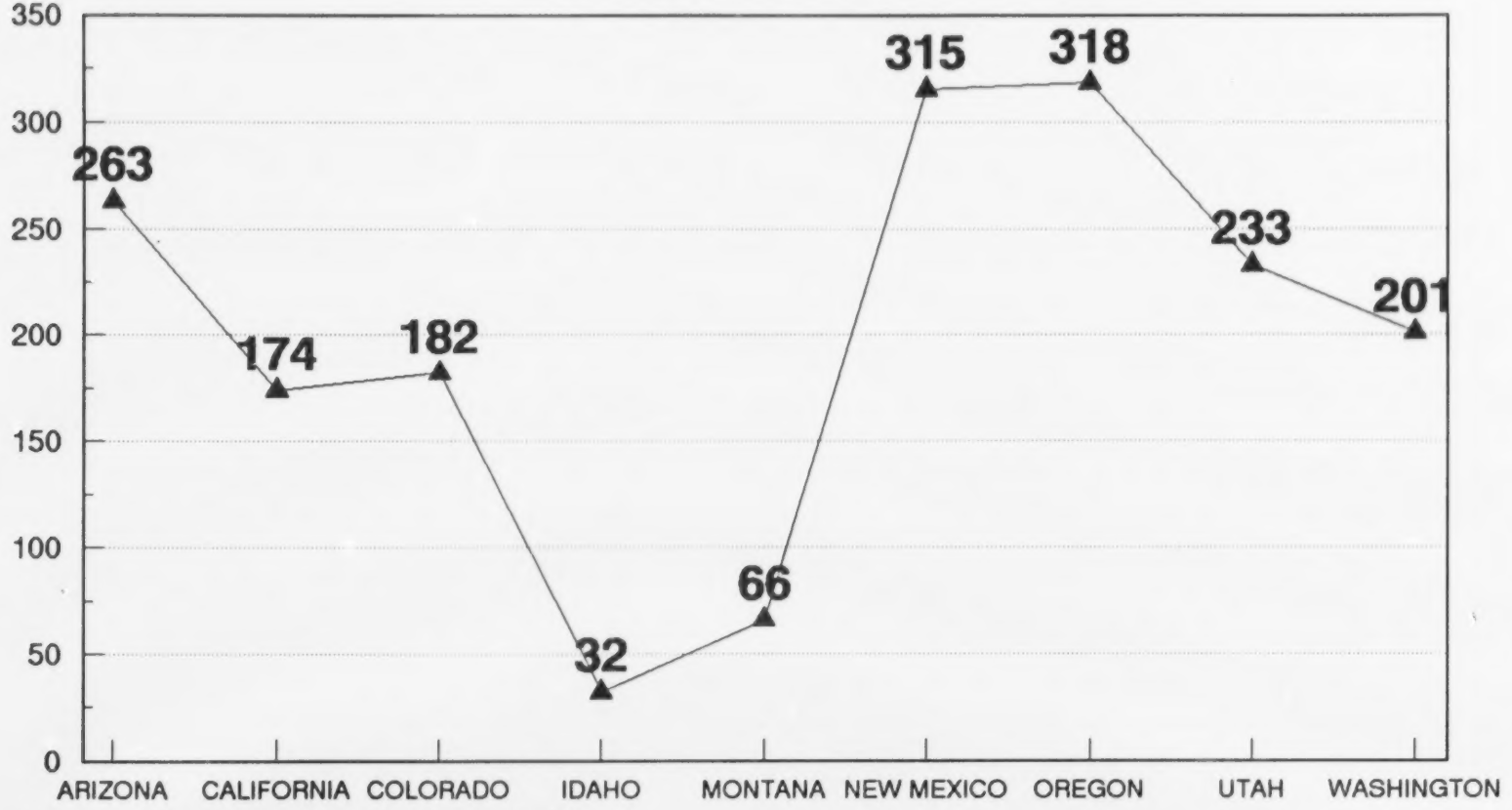


*Nevada & Wyoming excluded due to insignificant municipal contribution

Source: U.S. Census Bureau

TABLE 8

PERCENT CHANGE IN MUNICIPAL LIBRARY EXPENDITURES FROM 1977 TO 1988

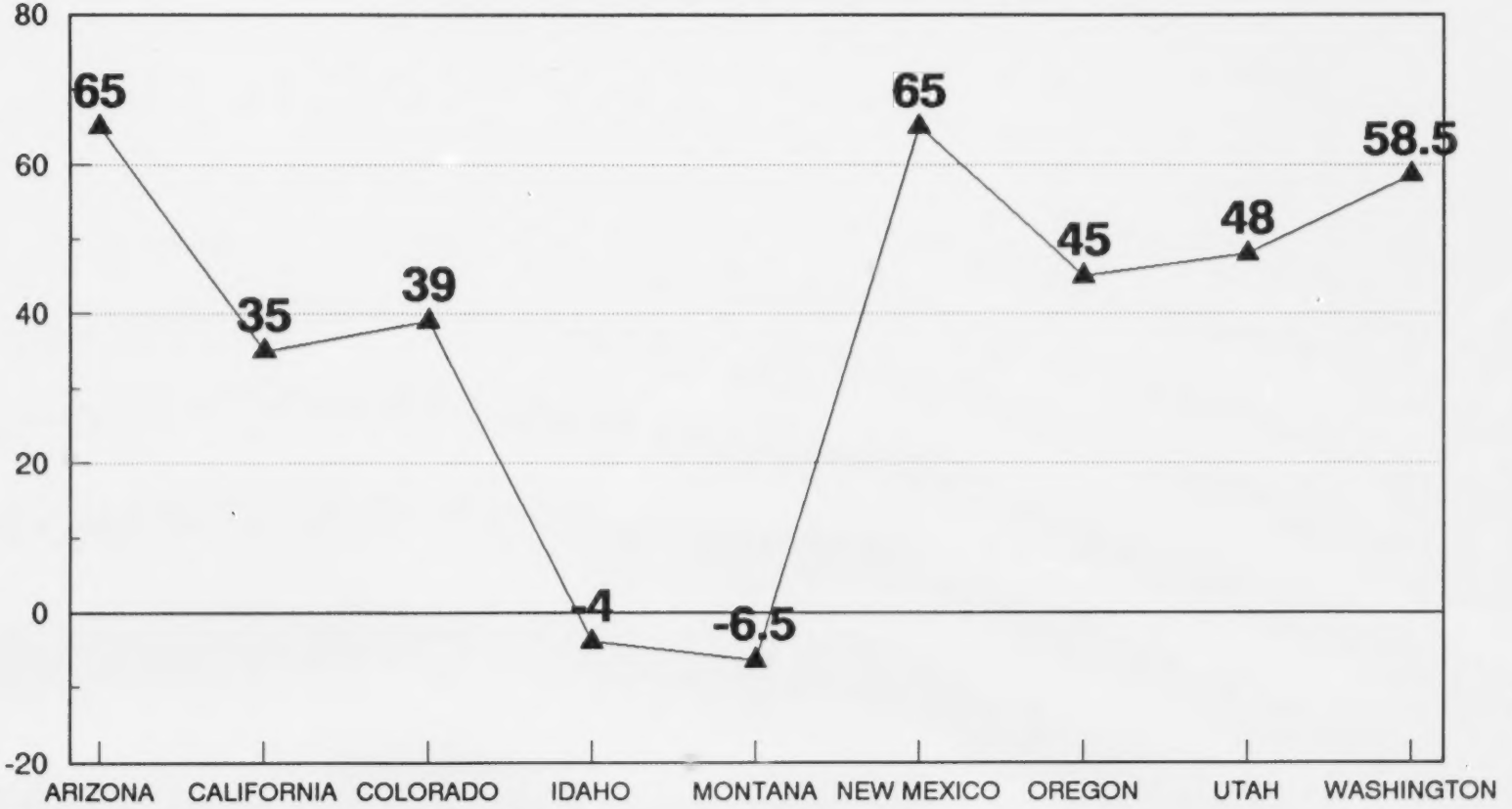


*Nevada & Wyoming excluded due to insignificant municipal contribution

Source: U.S. Census Bureau

TABLE 9

PERCENT CHANGE IN LOCAL LIBRARY EXPENDITURES ADJUSTED FOR INFLATION: 1977 TO 1988



*Nevada & Wyoming excluded due to insignificant municipal contribution

Source: U.S. Census Bureau